



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MAGOFFIN COUNTY SHERIFF**

**Calendar Year 1999**

**EDWARD B. HATCHETT, JR.  
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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Paul Hudson Salyer, Magoffin County Judge/Executive

Honorable Pat Montgomery, Magoffin County Sheriff

Members of the Magoffin County Fiscal Court

The enclosed report prepared by Tamara L. Rice, CPA, Certified Public Accountant, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Magoffin County, Kentucky, as of December 31, 1999.

We engaged Tamara L. Rice, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Tamara L. Rice, CPA, evaluated the Magoffin County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT EXAMINATION OF THE  
MAGOFFIN COUNTY SHERIFF**

**Calendar Year 1999**

**TAMARA L. RICE  
CERTIFIED PUBLIC ACCOUNTANT  
147 RICHMOND ROAD  
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## **EXECUTIVE SUMMARY**

### **MAGOFFIN COUNTY PAT MONTGOMERY, SHERIFF Calendar Year 1999**

On November 28, 2000 fieldwork was completed on 1999 Magoffin County Sheriff Fee Audit. An unqualified opinion was rendered on the financial statements. No reportable conditions relating to the audit of the financial statements were reported.

#### **Deposits and Investments**

The Sheriff's deposits were fully insured and collateralized as of December 31, 1999.

#### **Excess Fees:**

Excess fees in the amount of \$5,061 were turned over to the County Treasurer and accepted by the Fiscal Court on February 17, 2000. An additional \$25 was turned over on November 28, 2000.





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Honorable Pat Montgomery, Magoffin County Sheriff

Members of the Magoffin County Fiscal Court

**Independent Auditor's Report**

We have audited the accompanying statement of receipts, disbursements, and excess fees of the Sheriff of Magoffin County Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

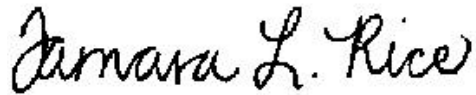
Honorable Paul Hudson Salyer, County Judge/Executive

Honorable Pat Montgomery, Magoffin County Sheriff

Members of the Magoffin County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated November 28, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink that reads "Tamara L. Rice". The signature is written in a cursive, flowing style.

Tamara L. Rice  
Certified Public Accountant

November 28, 2000

MAGOFFIN COUNTY  
PAT MONTGOMERY, SHERIFF  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES**

Calendar Year 1999

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Receipts

State Grants		\$	6,097
State Fees For Services:			
Finance and Administration Cabinet	\$	508	
Cabinet For Human Resources		<u>4,794</u>	5,302
Circuit Court Clerk:			
Sheriff Security Service	\$	2,965	
Fines/Fees Collected		<u>1,094</u>	4,059
Fiscal Court			13,814
County Clerk - Delinquent Taxes			3,239
Commission On Taxes Collected			86,326
Fees Collected For Services:			
Auto Inspections	\$	5,090	
Accident /Police Reports		32	
Serving Papers		<u>11,460</u>	16,582
Other Income:			
Carry Concealed Deadly Weapons Applications	\$	4,225	
Delinquency Fees		17,009	
Photo for Carry Concealed Deadly Weapons		110	
Miscellaneous		55	
Transporting Patients		2,807	
Interest Earned		<u>1,502</u>	25,708
Borrowed Money:			
State Advancement			<u>25,000</u>
Gross Receipts Carried Forward		\$	186,127

The accompanying notes are an integral part of the financial statement.

MAGOFFIN COUNTY  
PAT MONTGOMERY, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Gross Receipts Brought Forward \$ 186,127

Disbursements

Operating Disbursements and Capital Outlay:

Personal Services-

Deputies' Gross Salaries \$ 54,096

Employee Benefits-

Employer's Share Social Security 8,468

Contracted Services-

Radio Maintenance 807

Vehicle Maintenance and Repairs 5,593

Supplies and Materials-

Office Materials and Supplies 3,471

Uniforms 838

Auto Expense-

Gasoline 7,434

Other Charges-

Conventions and Travel 317

Dues 650

Postage 3,657

Carry Concealed Deadly Weapons Fee 2,845

Jury Food 197

Bond 2,258

Mobile Phone 915

Miscellaneous 1,108

Capital Outlay-

Office Equipment \$ 722

Vehicles 4,900 5,622

The accompanying notes are an integral part of the financial statement.

MAGOFFIN COUNTY  
PAT MONTGOMERY, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Disbursements (Continued)

Debt Service:

State Advancement

\$ 25,000

Total Disbursements

\$ 123,276

Net Receipts

\$ 62,851

Less: Statutory Maximum

57,765

Excess Fees Due County for Calendar Year 1999

\$ 5,086

Payments to County Treasurer- February 17, 2000

\$ 5,061

November 28, 2000

25

5,086

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statement.

MAGOFFIN COUNTY  
**NOTES TO FINANCIAL STATEMENT**

December 31, 1999

Note 1.           Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

During calendar year 1999, the Sheriff and his employees participated in the county retirement system administered by Jefferson Pilot Insurance Company. The Sheriff's retirement plan covers eligible full-time employees who wish to participate. Benefit contributions and provisions are established by contract between Jefferson Pilot Insurance Company and the Magoffin County Fiscal Court.



MAGOFFIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 3. Deposits:

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of December 31, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Lease

The Office of the Sheriff is committed to a lease agreement for a computer. The agreement requires a monthly payment of \$57 for 36 months to be completed on April 27, 2001. The total balance of the agreement is \$227 as of December 31, 1999.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Members of the Magoffin County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Magoffin County Sheriff as of December 31, 1999, and have issued our report thereon dated November 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Magoffin County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Magoffin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

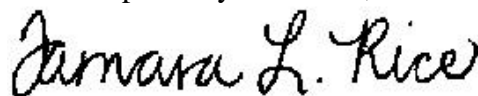
We concluded that the internal control structure lacks a proper segregation of duties. Due to the entity's diversity of operations, small size and budget restrictions, there is limited staff size, which prevents an adequate segregation of duties. The Sheriff has statutory authority to assume the role of custodian of monetary assets as well as recorder of transactions and preparer of financial statements. However, the lack of segregation of duties is hereby noted as a reportable condition.

Honorable Paul Hudson Salyer, County Judge/ Executive  
Honorable Pat Montgomery, Magoffin County Sheriff  
Members of the Magoffin County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following the lack of adequate segregation of duties to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink that reads "Tamara L. Rice". The signature is written in a cursive, flowing style.

Tamara L. Rice  
Certified Public Accountant

November 28, 2000

